

REMARKS

The present application is now being examined with respect to claims 21-38 and 52-60. Applicant previously cancelled claims 67-80 in accordance with the election requirement set forth in the Final Office Action mailed April 27, 2006. Applicant reserves the right to later present these cancelled claims in an appropriately filed divisional application.

Applicant acknowledges that the previous rejections of the pending claims under 35 U.S.C. § 112 have been removed.

There are three prior art rejections remaining in the present application.

- a) Claims 21, 23, 24, 26-29, 34, 38, 53, 56 and 59 are rejected under 35 U.S.C. § 103(a) as unpatentable over Tsevdos et al. in view of eShop (IDS 12/28/2001, paper #13);
- b) Claims 25 and 30 are rejected under 35 U.S.C. § 103(a) as unpatentable over Tsevdos et al. in view of eShop (IDS 12/28/2001, paper #13), and further in view of Official Notice; and,
- c) Claims 22, 31-33, 35-37, 52, 54, 55, 57, 58 and 60 are rejected under 35 U.S.C. § 103(a) as unpatentable over Tsevdos et al. in view of eShop (IDS 12/28/2001, paper #13), and further in view of Internet Shopping Network (IDS 12/28/2001, paper #13).

The Examiner has steadfastly held that the motivation for modification of Tsevdos was that porting the system to the internet would have increased usage and thus increased revenue. Applicant has previously argued that each of these rejections must fail because, contrary to the Examiner's position, it would not have been obvious to modify Tsevdos to include the web browser capability because such a modification would have been contrary to intent of the Tsevdos system. Clearly, Tsevdos teaches away from the direction chosen by applicant. In the current Final Office Action, applicant's arguments are not found persuasive because "Tsevdos would be motivated to increase revenue by incorporating the web browser process or any other networking process that should become available that better serves the customers (sic) needs." Applicant respectfully disagrees and submits that each of the three above-noted rejections must fail because the Examiner has failed to establish a *prima facie* case of obviousness. The alleged motivation to modify Tsevdos or combine it with other internet-based prior art is contrary to the carefully

designed architecture of the Tsevdos system. In view of these contradictions, the three prior art rejections of the claims based on Tsevdos cannot stand because Tsevdos teaches away from the claimed invention rather than rendering the claims obvious. When the entire teaching of Tsevdos is considered, Tsevdos explicitly teaches away from the claimed invention, and therefore, it cannot be properly used as the basis for the rejection of the claims.

It is well settled that a proposed modification would not be obvious unless the prior art suggested the desirability of the modification. *In re Laskowski*, 871 F.2d 115 (Fed. Cir. 1989)(“Although the Commissioner suggests that [the structure in the primary prior art reference] could readily be modified to form the [claimed] structure, ‘[t]he mere fact that the prior art could be so modified would not have made the modification obvious unless the prior art suggested the desirability of the modification.’ ”) There is no suggestion to combine if a reference teaches away from its combination with another source. Teaching away occurs when, upon reading the reference, the ordinary artisan would be led away from the path taken by the applicant. *Tec Air, Inc. v. Denso Manufacturing Michigan, Inc.*, 192 F.3d 1353 (Fed. Cir. 1999). See also, *In re Haruna*, 249 F.3d 1327 (Fed. Cir. 2001)(A prima facie case of obviousness can be rebutted when the applicant can show that the prior art teaches away from the claimed invention.)

Tsevdos taught the creation of a highly structured private network for the purpose of delivering the digital data to the previewing station at a rate and of such quality, that the viewer considered it real-time and could not determine merely from the preview session where the data came from. (Tsevdos, Col. 2:63-Col. 4:61.) Tsevdos taught a system in which the consumer would experience the preview in real-time, as if the CD or video were physically present in the preview apparatus. Tsevdos also architected this network so that digital content could be downloaded and CD copies manufactured at the retail location in real-time. *Id.*

The importance of this architecture is emphasized in the Tsevdos reference as follows:

An important aspect of streaming data between the end stations is for the data to be streamed so that it can be presented so as to reproduce whatever the recorded information is at the proper reproduction rate so that the individual using it or looking at it or listening to it can not distinguish whether or not the recorded version is being played back from a local media, such as a video tape or compact disc, or if the individual is witnessing it being

played back remotely and transmitted through a network. The bits of information have to be delivered at a rate required by that device to recreate faithful reproduction of the original recording. (Col. 7:15-26.)

Tsevdos continues: “In a shared network environment, such as is present in much of today’s communications networks there is uncertainty and variability.” (Id., Col. 8:46-49.) This negative characterization of the public networks supplies the justification for Tsevdos to create a better, quicker private network, and for Tsevdos to not utilize a public network for communication of the digital content to be previewed.

Based upon these comments about the perceived problems with public networks (data transfer speed) and Tsevdos’ implementation of various private networks to ensure proper speed of delivery for real-time preview and real-time on-location-manufacturing, the only fair conclusion is that Tsevdos, when read in its entirety, teaches away from the claimed invention. Modification of the architecture of Tsevdos to use it on the public internet would run contrary to the purpose of Tsevdos in the first instance. By Tsevdos’ own admissions, the then-available public networks could not have provided the bandwidth to deliver digital content for preview or download in “real-time.”

Interestingly, around the time of Tsevdos, the owners of the technology, IBM and Blockbuster commissioned a study of consumer behavior in music stores. Their study determined that the average consumer only spent nine minutes in a music store. Even today, studies show that consumers, on average, spend only twelve minutes previewing music at retail locations. (Second Dergosits Decl., Ex. D.) If IBM/Blockbuster were going to manufacture CDs at the retail location in “real-time” using the Tsevdos apparatus, clearly a high bandwidth private network was necessary to transfer the data in a way that allowed manufacturing to occur in some time interval close to nine minutes.

It is interesting to note that even today, more than 13 years after Tsevdos was filed and more than 11 years since the genesis of the commercial internet, it still takes 90 minutes to 2 hours to download a movie from the Apple iStore using the public internet. A consumer would not wait in-store for 2 hours for a CD or video to be downloaded over the internet.

In addition, when the Tsevdos assignee announced their plans, the record labels (copyright owners) were NOT supportive of the IBM/Blockbuster kiosk, and refused to grant the necessary copyrights needed to allow New Leaf to create CD’s in-store. (Second Dergosits Decl., Exs. E-

F.) Years later, (1998) with the early Napster service, the labels actually SUEd Napster for online downloading of music, due to massive copyright infringement. Given the lack of support and litigious nature of the music industry, there would have been no motivation to modify Tsevdos' private network and develop an Internet-based network. In fact, the entire in-store system was shut down in 1994, less than a year after it was launched as an in-store network. (Id.)

Therefore, moving the private system to the public and open Internet –vs. staying with the private network, where there would be no issue of copyright infringement (as well as no tracking of the amount of music files that would be copied anonymously, as P2P services flagrantly allowed and were later shut down by Federal Courts)—would have made NO sense, and teaches AWAY from moving to the Internet.

To “teach away” as understood in patent law, means that a person having ordinary skill in the art would be led in a direction divergent from the path that was taken by the applicant. *Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp.*, 68 F.Supp.2d 508, 538 (D.N.J. 1999), *later opinion*, 166 F.Supp.2d 19 (D.N.J. 2001), *aff'd*, 320 F.3d 1339 (Fed. Cir. 2003). Disclosures in the references that diverge away from and teach away from the claimed invention cannot be disregarded. *Phillips Petroleum Co. v. U.S. Steel Corp.*, 673 F.Supp. 1278, 1315 (D. Del. 1987), *aff'd*, 865 F.2d 1247 (Fed. Cir. 1989). If, when combined, the references would produce a seemingly inoperative device, then they teach away from their combination. *In re Spinnoble*, 405 F.2d 578, 587 (CCPA 1969); *In re Gordon*, 733 F.2d 900, 902 (Fed. Cir. 1984)(finding no suggestion to modify a prior art device where the modification would render the device inoperable for its intended purpose.)

Here, Tsevdos so clearly teaches way from implementing it in the public internet, that it teaches way from the claimed invention and should not be properly considered to create a *prima facie* case of obviousness. The three rejections of record involving Tsevdos must be withdrawn and the pending claims allowed.

Respectfully submitted,
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